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A METHOD

OF

Increasing the Quantity

OF

CIRCULATING-MONEY:

Upon a new and solid Principle.

LETTER I.

6

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INTRODUCTION.

THE PRINCIPLE of this Propoſal is to put a NEW and GREAT CAPITAL into CIRCULATION, by LOANS of MONEY, to be *created* in the manner and upon the foundation deſcribed in the following LETTER, addreſſed to a Member of the late SECRET COMMITTEE of the HOUSE of COMMONS on BANK AFFAIRS.

THE gentleman, to whom the Letter was addreſſed, (whoſe name, if I thought myſelf at liberty to mention it, would add much authority to the whole propoſal,) being himſelf ſtruck with the novelty of the meaſure, and its apparent tendency to public utility, has been the means of procuring a conſiderable degree of favour to it ELSEWHERE. —But, if I were to ſay more of this, it could only be with a view to obtain attention,—not to influence the *public judgment*, which alone can decide in this caſe, as in all others where PUBLIC CREDIT is concerned.—Therefore, I ſhall only ſay, I have good reaſon to think that the *firſt impreſſions*,

impreſſions, made in the quarter to which I allude, are ſtill RETAINED.

IT is my intention to point out in a future Letter, for which I have prepared materials, how I propoſe to confine the increaſe of money, in its firſt application, to the aſſiſtance of the LANDED INTEREST; and I ſhall, at the ſame time, anſwer ſuch OBJECTIONS as I may hear of, or which my own thoughts may ſuggeſt to me; for, I ſhall diſguiſe nothing.—In the mean time, I admit that it is neceſſary to the PRACTICAL EXECUTION of the plan, that the notes in queſtion ſhould be EXCHANGEABLE for ALL commodities,—by no means excepting GOLD; *and exchangeable* AT PAR: otherwiſe they cannot perform the office of MONEY.—I beg permiſſion to add, that I think this may be ACCOMPLISHED. And I ſhall ſhew how the SECURITY may be DOUBLED, both in its *nature* and *amount*, without leſſening the ſimplicity of the original deſign; and this to the extent of proving it to be ABSOLUTELY IMPOSSIBLE that the Note-Creditors ſhould be *defrauded*, or *even diſappointed*, SO LONG as any notion of LAW and PROPERTY ſhall continue practically to prevail in GREAT BRITAIN.

LONDON,
23d April 1799.

A

METHOD,

&c. &c. &c.

SECT. I.—*Assumes the Necessity of an Extension of the Circulating Medium.*

SIR,

OF late, we have heard but little of the plans for a NEW CIRCULATING MEDIUM, with which the public attention was much engaged about the time of the BANK's ceasing to make payments in cash. No plan of that kind seems yet to have obtained general approbation; and, perhaps, that which I am about to submit to your consideration may not be free from objection.

I HAVE entered thus upon the subject without ceremony; because, Sir, the indulgence you have shewn me in the several conferences you have honoured me with on the occasion, has superseded the necessity of any introductory matter, unless I had

had attempted to expreſs the feeling I have of your obliging attention in this inſtance, which I decline, as a taſk not eaſy in itſelf, and ſtill leſs ſo, in connection with other acts of condeſcenſion which I cannot fail to recollect, though I am not able to acknowledge them in the manner I ſhould wiſh to do.

In common with all thoſe who have preceded me in this track, I begin with aſſuming that there would be found great convenience in the eſtabliſhment of a good, ſolid, circulating medium, upon a more enlarged ſcale than any that exiſts at preſent, and adapted to the extended and extending ſtate of our National Commerce, and particularly to the wants of the landed interest. If this was denied, or generally doubted, I ſhould have little to ſay at preſent; for, if the neceſſity or utility of ſuch an eſtabliſhment is not ſelf-evident, I ſhould think the time for it is not yet come.

My experience in buſineſs, however, informs me that it is wanted.—Permanent loans of money are now, and for a long time have been, difficult to be obtained; and this difficulty muſt, from obvious cauſes, continue to increaſe ſo long as the war laſts.

SECT. II.—*Basis of a Plan for such an Extension.*

HAVING premised this, I proceed to state my plan for the establishment of a New Circulating Medium.

THE basis of it, as I have remarked in what you have heard from me already, I fix upon the NATIONAL DEBT, which is the WEALTH of INDIVIDUALS.—For commercial purposes at least, I conceive this may be deemed solid substantial property —to a limited extent.

SUPPOSE the National Debt due to individuals to be equal to FOUR HUNDRED MILLIONS (or more) of 3 per Cent. Annuities of the value of 50 per cent.; that is, TWO HUNDRED MILLIONS sterling. This supposition is sufficiently accurate for my present purpose.

SECT. III.—*The Plan stated.*

Now, my scheme goes to the putting of a large portion, FIFTY MILLIONS, or more, of this property into circulation, if so much could be em-

 ployed;

ployed ; and this I propoſe to be done in the following manner:

LET any ſtock-holder, who would wiſh to circulate ſome part of his STOCK, without ſelling it, transfer a certain quantity of it, ſuppoſe twenty thouſand pounds 3 per Cents. to the GOVERNORS and DIRECTORS of the BANK. The Bank is then to deliver to him fifty certificates, or notes of the transfer, each of them to be marked as of the value of £.100, or a greater quantity in number, and of leſs value reſpectively; but the whole together to be of the amount of £.5000 ſterling.

BY this means every particular quantity of ſtock might produce a fourth part of its nominal amount for the purpoſes of circulation. For, I make what I believe to be a well-grounded ſuppoſition, that the mercantile world, who now take BANK-NOTES in payment, would, with equal confidence, receive and circulate theſe STOCK-NOTES; the Governors and Directors of the Bank of England being, in reſpect to the ſtock to be transferred to them, truſtees for thoſe who transfer the ſtock, and for thoſe who take the ſtock-notes in payment, (as they now are truſtees for the Bank-Proprietors and the holders of Bank-notes,) and the ſecurity being fully equal to that

that upon which the credit of Bank-notes is founded:—for, the capital and other effects of the Bank (reckoning its property in ſtock at the preſent market-rate) is certainly ſhort of twice the amount of its debts. But the ſtock, transferred as I propoſe, would be double in value to the notes circulated upon its credit.

In the caſe I have ſuggeſted, the 3 per Cents. would be taken at 25; a ſuppoſition low enough, I ſhould ſuppoſe, for thoſe who give any degree of credit whatever to the Public Funds. There can be no doubt that bankers and others would allow £.100 ſtock to be a ſufficient ſecurity for £.25 money, notwithſtanding all the poſſible fluctuations to which the ſtocks are ſubject.

The notes I have deſcribed might be uſed for loans or for capitals to trade upon; their uſe in trade, and for other purpoſes, being ſuppoſed the ſame as ſpecie or Bank-notes.

These notes being, by ſuppoſition, of the ſame value, and paſſing with the ſame facility as Bank-notes do, will be conſidered as cash, and conſequently, if lent by the original holders, or by any others who may become the holders of them, would entitle the lender to receive interest on

the loan, in like manner as the lender of bank-notes now receives intereſt on the loan of thoſe notes.

THE ſuppoſition that theſe notes would be circulated like bank-notes is eſſential to my plan.—That foundation taken away, the whole would be an unſubſtantial viſion; and therefore, if this be not aſſented to, it would be of no uſe for me to go on. But, that point granted, (ſubject to re-conſideration,) I ſay that every particular quantity of ſtock, transferred in the manner I have ſtated, would yield a profit to the ſtock-transferrer equal to 5 per cent. on the amount of ſtock-notes obtained by him.

TWENTY THOUSAND POUNDS, 3 per Cent. ſtock, would, as obſerved before, produce £. 5000 of ſtock-notes, the intereſt of which would be £. 250, to be added to £. 600, the amount of the dividends on £. 20,000 of that ſtock. Thus £. 850 would be gained annually, inſtead of £. 600, by every proprietor of £. 20,000 ſtock, who ſhould avail himſelf of the opportunity of procuring ſtock-notes, as above mentioned.

WHAT I have ſaid of 3 per Cent. ſtock, is to be applied to the *other* public funds in the like proportion;

proportion; the 3 per Cents. being mentioned only by way of example.

Sect. IV.—*Conſequences of the Plan to Stock-Proprietors.*

I shall purſue the ſuppoſition thus made, and ſhall trace its conſequences to the ſtock-proprietor, treating the matter at preſent as if no other intereſt than his was to be conſulted; diſregarding, therefore, at this moment, the intereſts of Government and the Bank of England, both of which I ſhall ſeparately conſider in what I have farther to ſay. In this point of view, I ſuppoſe the whole dividends on the ſtock are to continue payable to the ſtock-transferers; a ſuppoſition to be corrected in the farther progreſs of this diſcuſſion.

£. 850 being gained annually inſtead of £. 600, the value of ſtock may be expected to riſe in proportion to the increaſe of gain.

In the ſubſequent details on this point, I ſhall ſuppoſe the ſtock-proprietor would transfer his ſtock to the truſtees, upon my plan, for the ſake of much leſs advantage than what I have above deſcribed; for, out of the great profit above alluded to, it is neceſſary to provide inducements

to

to Government and to the Bank of England to countenance the plan.

At preſent I ſhall proceed to attend farther to the intereſts of the ſtock-proprietor.

What objection can *he* make? Can he ſay his ſtock is *tied up* and put out of his power? No: —he may redeem it by bringing in to the Bank a quantity of ſtock-notes equal in amount to thoſe originally obtained by him. Theſe being cancelled, his ſtock would be again entirely free: or he may ſell the ſtock ſubject to the charge upon it: this would make it *light* to hold; which, by rendering the ſtock more marketable, would increaſe its value.

Merchants, bankers, country-gentlemen, farmers, and in general ſtock-holders of all deſcriptions, would be benefited by the plan, and particularly the *timid* would derive encouragement to *hold on* their *ſtock*. For if they withdraw half the amount of the preſent price of ſtock, they may realize that part on land, by procuring purchaſes or mortgages. This would alſo accommodate thoſe who want to ſell land, or borrow money on it, or to borrow on other ſecurity.

The

The transferrer would retain to himself the advantage of future increase of price, just as if he had not taken the stock-notes.

Sect. V.—*No Danger to them.*

But is there no final danger of loss to the stock-proprietor upon this plan? *None*, I think. For suppose the holders of the stock-notes should become alarmed for their security by the falling of stock to 25; and suppose the plan should provide, that then the stock should, at that price, become the property of the holders of the stock-notes, and be transferred to them in proportion to the amount of the notes held by them respectively, unless redeemed immediately by the proprietors of the stock; it may be made clear, that he that was the original stock-holder cannot be hurt by having received the notes, even though he should not redeem the stock. For if he has retained the right of redemption, and consequently the risk, it is by his own voluntary act that he has done so. He might have sold out; but, having retained the stock, he cannot suffer more by parting with his stock now, than if he had held it on, and was now to sell it, without having received any stock-notes. He may even have an advantage by buying an equal quantity

quantity of the ſtock at the reduced price, ſuppoſing it below 25, or prevent a loſs if the price is 25, or upwards; and, upon both ſuppoſitions, five thouſand pounds, or thereabouts, would replace his twenty thouſand pounds ſtock.

FOUR things muſt concur in order to occaſion any actual loſs to the transferrer of ſtock upon this plan. Firſt; the ſtock muſt fall below 25. Secondly; the transferrer muſt be unable to redeem it at that reduced rate. Thirdly; the ſtock muſt afterwards riſe to a higher price. Fourthly; if there be (as of courſe there muſt be) an interval of time between the fall and the riſe, the tranferrer muſt continue, during the whole interval, unable to purchaſe a quantity of ſtock equal to what he had when he obtained the notes.

THE occurrence and operation of theſe numerous cauſes is a moſt improbable ſuppoſition; eſpecially conſidering that the transferrer muſt be underſtood to have received an equivalent in property of ſome kind on parting with his notes, and, therefore, may be expected to be able to redeem his ſtock, or to buy an equal quantity at the ſuppoſed price of 25.

BUT perhaps the ſtock-notes may have been applied to purchaſe land or land-tax.—*Well*, at leaſt

leaſt the transferrer has then realized half the amount of his ſtock at the preſent price, beſides the annual increaſe of £. 250 upon his £. 20,000: and he muſt conſider that, if he had continued to hold his ſtock till the ſuppoſed period of ultimate depreciation, his loſs would be greater than it can be upon any ſuppoſition affecting this plan; which includes the annual gain of £. 250 upon the £. 20,000 ſtock.

SECT. VI.—*They might gain too much by it.*

IF, according to the ſuppoſition above made, fifty millions could thus be brought into circulation, the gain to the ſtock-holders would be £. 2,500,000 ſterling annually, and ſo in proportion, if the circulating medium ſhould be uſed in leſs or greater extent.

BUT two millions five hundred thouſand pounds would be too great a gain for the ſtock-holder, who could not reaſonably expect to have ſo much, eſpecially if the ſcheme be attended with only part of the other advantages (including that of ſafety) which I have ſtated.

Sect. VII.—*Government muſt partake with them in the Profits.*

Therefore I come now to conſider the intereſts of Government and the Bank of England.

It may be thought proper that ſo much of the dividends as is equal to 5 per cent. on the ſtock-notes ſhould be kept back by Government: that is, that the payment of ſo much of the dividends ſhould be ſuſpended during the war, and that the amount of theſe dividends ſhould at the end of the war be divided between the ſtock-holders, the Government, and the Bank of England, in ſuch proportions as may be agreed upon. In ſpeaking of the ſtock-holder in this place, I mean the perſon who ſhould actually poſſeſs the ſtock at that period; and his ſhare of the accumulated dividends ſhould then be added to his capital, and the future intereſt of it provided for by taxes, unleſs Government ſhould then be able to pay the arrears of dividends; I mean the ſtock-holder's ſhare of thoſe dividends. In caſe a ſuſpenſion of dividends ſhould be thought improper, ſome other arrangement might be adopted, as the mutual intereſts of Government and the ſtock-proprietors might dictate.

If Government could, by this means, ſuſpend during the war the payment of dividends to the amount of two millions five hundred thouſand pounds, or even half of that ſum, ſuch a poſtponement, or any equivalent advantage to Government, would be attended with important conſequences.

Future Loans might be negociated on better terms, the price of ſtocks being ſuppoſed to riſe as well in conſequence of the advantages given to the ſtock-transferrers, as of the taking of a great quantity of ſtock out of the market. The Redemption of the Land-tax would be facilitated, and the neceſſity to ſell ſtock would be very much diminiſhed, at the ſame time that there would be a great increaſe of inducements to buy and hold ſtock.

Sect. VIII.—*So muſt the Bank of England.*

In regard to the Bank of England, the advantages to be allotted to that company would be ſuch as might be agreed upon between them and the ſtock-transferrers, by way of an annual increaſe of the Bank Profits; and alſo as a compenſation for the charges of management. But there is no occaſion at preſent to enter into details upon this part of the ſubject.

SECT. IX.—*Queſtion ſuggeſted.*

AFTER ALL, however, there remains the queſtion before ſuggeſted: "Could theſe STOCK-NOTES be "uſed as a Circulating Medium; or, in other words, "would they paſs as MONEY?"

THIS I cannot determine; but I ſee many conſiderations which may be ſuppoſed to operate towards cauſing the free and general currency of theſe notes.

THE ſecurity upon which the notes are to circulate, would be a FIRST MORTGAGE on the PROPERTY and INDUSTRY of the NATION. The ſcheme would raiſe the value of the funds, and would advance our AGRICULTURE, as well as extend our TRADE, both foreign and domeſtic, by bringing into action a new and great CAPITAL: and all this would tend to improve the STRENGTH of the NATION. Hence greater SAFETY to every part of our property.

THESE appear to me to be ſufficiently powerful inducements to the public to receive and circulate *as Caſh* the propoſed ſtock-notes.

BUT

But if, in fact, the ſecurity for the National Debt is not to be eſteemed good for a fourth part of its nominal amount, then, I fear, our caſe is hopeleſs indeed. This, however, appears to me to be a groundleſs apprehenſion.

At all events, the caution of the moſt fearful muſt have ſome limits; and if, through the prevalence of diſtruſt, the notes deſcribed could not be circulated at 25, they might undoubtedly at ſome lower rate. Therefore, the objection founded on ſuppoſed inſecurity, does not reach the principle of the meaſure, and can only at the utmoſt confine its operation.

Sect. X.—*The Plan may be improved.*

This ſcheme, if it has any thing of value in it, may undoubtedly be *improved*; and, perhaps, the indirect and collateral reſults from it may be as conſiderable as its direct and immediate effects.

I am not, however, ſo fond of my plan as to make an unqualified ſuppoſition that it is capable of producing ſuch great advantages as I have deſcribed. Yet I do not mean to conceal that I have a ſtrong confidence in it; and I own, if I were to indulge

indulge my preſent thoughts, I ſhould ſay much more of the advantages I expect from it.

SECT. XI.—*General Obſervations.*

BUT I ſhall now only make a few GENERAL OBSERVATIONS, which ſhall conclude this Letter, and the trouble which, SIR, you have allowed me to give you.

Firſt, IN A COMMERCIAL COUNTRY THERE SHOULD BE AS LITTLE DEAD OR UNPRODUCTIVE CAPITAL AS POSSIBLE: but the wealth of individuals collected in the funds is *dead to trade and general uſe*, except only ſo far as the dividends are ſpent and circulated, and not inveſted in the ſame funds by way of farther accumulation.

And, *ſecondly*, THERE OUGHT TO BE NO SUCH THING KNOWN AS WANT OF MONEY;—and, in my opinion, no ſuch want *could* be known in a perfectly well-regulated commercial ſtate: I mean no want of that kind ſhould be known or felt by thoſe who poſſeſs property of any kind, whether it conſiſts of lands, merchandize, or credits well ſecured. All ſuch property ſhould enable the owner to procure a REPRESENTATIVE SIGN capable of general circulation. I ſay this, ſubject to many obvious RESTRICTIONS.

SECT.

Sect. XII.—*Originality of the Plan.*

It was, by thinking for a long time upon theſe two principles, and by turning over in my mind ſeveral plans for procuring money for ſome perſons of property, who found it difficult to obtain Loans, that I was led to the preſent Discovery, if it is one, as I believe it to be. To me, at leaſt it is *new*, and ſo it has appeared to thoſe friends to whom I have communicated it: but if any one ſhall diſpute the abſolute originality of the thought, I ſhall not be much concerned about that, becauſe it is quite certain that in its operation it will be new, and, what is infinitely more material, the advantages of it will be confined, almoſt excluſively, to our own Country, where alone ſuch a great capital as I have propoſed to put in circulation is to be found.

I have the honor to be,

SIR,

&c. &c. &c.

London,
Sept. 27, 1798.

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